

## **Q&A'S ON IMPACT OF NOTICE 351.1 ON LOS ALAMOS TRANSITION**

1. The new policy in paragraph 5.a.(1) states that “DOE shall continue to reimburse allowable costs for pension benefits for Incumbent Defined Benefit Pension Plan Participants that meet requirements of a total benefit package evaluated under DOE O 350.1 and/or specific contractual terms and conditions as applicable.” Is the LANS TCP1 plan considered to be under existing contract requirements and/or specific contractual terms and conditions?

Answer: Yes, TCP1 is an existing contract requirement even though the NNSA Contracting Officer has not yet approved the formal plan documents.

2. The contract between NNSA and LANS required that LANS provide a total compensation package to “New Employees, Inactive Vested Transferring Employees and UCRP Retiring Employees” that is market driven (paragraph H.36 (d)(1)(ii)(I)(II)). The LANS market-based package referred to as Total Compensation Package 2 (TCP2) was evaluated at 105% in the Hewitt Benefits Value Index Study conducted in January 2006 and was determined to meet contract requirements. This evaluation and determination considered compensation and benefits in the aggregate. TCP2 was conditionally approved pending review of plan documents. TCP2 contains a Defined Contribution (DC) Pension Plan that has a value over 105% as compared to comparator companies.
  - a. Is it the intent of DOE Notice 351.1 to evaluate retirement and health benefits as stand alone packages for new employees, as well as evaluating the benefits in the aggregate when determining them to be at 105% or below?

Answer: TCP2 is an existing contract requirement. The total benefits package in TCP2, including pension and medical benefits, for UC employees that transfer to TCP2 as of June 1, 2006, will be subject to the 105% benchmark in the aggregate. When the requirements of the notice regarding pension and medical benefits become effective for the LANS contract (no later than March 1, 2007), the separate benchmarks applicable to pension and medical benefits individually (as well as in the aggregate) will apply only to employees who are hired by LANS after that date.

3. The new Contractor received conditional approval of the new substantially equivalent benefits package established to mirror the benefits provided by UC. This package is referred to as Total Compensation Package 1 (TCP1), and the NNSA Contracting Officer will begin review of the plan documents soon. TCP1 includes a Defined Benefit (DB) plan that is essentially like UCRP, but without the lump sum cash out provision. The new plan includes a provision for annual cost of living adjustments (COLA), as well as ad hoc COLAs.
  - a. Are any additional approvals required for the COLA provisions of the defined benefit pension plan under TCP1?

Answer: LANS's proposed TCP1 has been conditionally approved pending the NNSA Contracting Officer's review of the plan documents for consistency with the proposal.

- b. Are any additional approvals required for the annual COLAs provided for in TCP1?

Answer: Assuming the plan documents are formally approved and implemented, no further approvals will be required for any increases resulting from the approved provisions for annual COLAs.

- c. Are any additional approvals required for the ad hoc COLAs provided for in TCP1?

Answer: Yes, an ad hoc COLA would be deemed to be an amendment to TCP1 that potentially augments benefits because they are not provided on a regular basis and generally require action on the part of the plan trustees.

- 4. The University of California Retirement Plan, a DB plan under the current contract with UC, includes a provision for annual COLAs, as well as ad hoc COLAs. Current LANL retirees and inactive vested participants who later retire under UCRP are eligible for COLAs.

- a. Are any additional approvals required for the annual COLAs provided for in UCRP?

Answer: No, as the annual COLA is a provision of an existing plan and would not be an amendment that augments benefits.

- b. Are any additional approvals required for the ad hoc COLAs provided for in UCRP?

Answer: Yes, an ad hoc COLA would be deemed an amendment to UCRP that augments benefits because they are not provided on a regular basis and generally require action on the part of the plan trustees.

- 5. The Notice states in paragraph 5.b.(2) that "After incorporation of the CRD, DOE will not reimburse costs of medical benefits for future retirees unless the Contractor conditions eligibility for retiree medical benefits based on at least 5 years of continuous service under a Contract(s) immediately prior to retirement unless otherwise required by law." Retiree medical benefits under TCP1 and TCP2 both have service requirements for eligibility. Under TCP1 retirees receive an employer contribution ranging from 50 to 100 percent based on eligible service credit. For new employees under TCP2, retiree medical is fully paid by the retiree.

“Inactive vested transferring employees” remain vested participants in UCRP and then transfer to TCP2 under LANS. These employees might be considered to have had a break in service, thus not meeting the requirement of 5 years of continuous service. In the “NNSA Response to Comments Regarding TCP2,” NNSA indicated that “For employees that elect to freeze their benefits under the UC Defined Benefit pension plan and move to LANS under TCP2, the earned benefit level for retiree medical will be preserved and provided under the TCP1 retiree medical plan, based upon UCRP service credit frozen as of June 1, 2006,” unless they elect to take a distribution of their interests in the UCRP as a lump sum.

Employees who transfer to LANS under TCP2 are allowed to freeze their eligibility for TCP1 retiree medical benefits and the earned employer contribution. Future service will only count towards eligibility for retiree medical benefits under TCP2. Is HQ approval required to provide employees with the frozen benefit and earned employer contribution upon retirement because their service immediately prior to retirement was with LANS and under TCP2?

Answer: No, the LANS contract permits inactive vested transferring employees (other than those who elect to take a lump sum distribution of their interests in UCRP) to count prior service credited under UCRP for purposes of determining eligibility and the level of employer contribution for retiree medical benefits under TCP1.